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[REDACTED]

Dear Applicant:

Your application for exemption from Federal income tax under the provisions of Section 501(c)(7) of the Internal Revenue Code has been considered.

The information that you submitted with your application discloses you were incorporated on [REDACTED] under the laws of the State of [REDACTED].

Your stated purpose is to engage in any lawful activity or purpose for which corporations may be organized under the [REDACTED] Corporation Law, including without limiting the generality of the foregoing, the enforcement of all restrictions, covenants and conditions contained in any Declaration of Protective Covenants, Standards and Land Use Restrictions applicable to the subdivision known as [REDACTED] and the maintenance, preservation and improvement of said subdivision.

Information indicates that your activities consist of collection of membership dues for necessary maintenance of homeowners, including snow-plowing, road repair, real estate taxes and security of grounds.

Section 501(c)(7) of the code reads, in part, as follows:

Clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder."

The term "club" as used in the above section of the law contemplates the comingling of members, one with the other, in fellowship. Personal contacts and fellowship must also play a material part in the life of an organization in order for it to come within the meaning of the term "club".

In view of the evidence presented, it is our opinion that you are neither organized nor operated exclusively for pleasure, recreation

[REDACTED]

or other similar nonproftable purposes since your primary activities appear to be to perform services that your members would otherwise have to provide for themselves.

Accordingly, it is held that you are not entitled to exemption from Federal income tax under Section 501(c)(7) of the code as a club organized and operated exclusively for pleasure, recreation and other nonproftable purposes. You will be required to file Form 1120, U.S. Corporation Income Tax Return. However, you may qualify for election as a Homeowner's Association by filing Form 1120-H. To determine if you qualify for this election see the section on Homeowner's Association in publication 588.

If you do not agree with these conclusions, you may request Appeals Office consideration. To do this, you must submit to the District Director within 30 days from the date of this letter, a statement of facts, law, and arguments, in duplicate, which will clearly set forth your position. You also must state whether you wish an Appeals Office conference. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met.

If we do not hear from you within the time specified, this communication will become our determination in the matter.

Very truly yours,

[REDACTED]  
District Director

Enclosure:  
Publication 588  
Publication 92